

25 Ways to Save Money in Your Homebased Business

Add financial wizard to your entrepreneurial repertoire with these cost-reduction tips.

By Jacquelyn Lynn | April 12, 2005

One of the major benefits of having a homebased business is the low overhead, but that doesn't mean you don't need to be as cost-conscious as any other business owner. After all, money saved goes right to the bottom line in the form of increased profits. Here are 25 ways you can pinch pennies--and even dollars--in your homebased business.

Buying and Spending Smart

1. Buy used furniture. Used office furniture can be purchased for a fraction of its cost new. Check newspaper ads, bankruptcy sales and even new furniture dealers who frequently have trade-ins or repossessions they're willing to sell at deep discounts. Another great place to shop for used furniture and equipment is the surplus office at a nearby college or university. If the school doesn't have a surplus office listed, call the main information number to find out which department handles disposing of used items.

2. Pool your purchasing power. Find other small-business owners--not necessarily homebased--and team up to buy supplies in bulk. You'll save money on the cost of the materials, as well as the shipping. "I get together with an accountant friend and a computer specialist, and we order basic items like paper in large quantities, usually five or more cases at a time," says Lyn Richards, owner of [Dog Logic](#), a resource center for large- and giant-breed dog owners and breeders in Manchester, New Hampshire. "We get a lower price per ream, and the shipping ends up being free because we buy so much."

Don't limit group-buying partners to noncompeting companies: "Coopetition" (cooperation among competitors) is one of the hot trends in business today. Consider group purchasing with businesses that offer the same or similar services as you but that perhaps target a slightly different market or geographic area. Be sure all agreements are clearly spelled out in writing. Clarify upfront who will actually make the purchase, how the goods will be delivered, when the others will reimburse the purchaser, and how any problems with quality or service are to be handled.

3. Save on shipping by taking it with you. If you're near your suppliers, pick up your order yourself--or perhaps have a friend or family member do it for you, suggests Sarah Williams Steinman, president of Casco Bay Herb Co., an herbal soap manufacturer in Cumberland, Maine. For example, Steinman's husband travels throughout the Northeast. "He keeps me updated as to when he might be near one of my suppliers," she says. "He often travels through the town where my olive oil supplier is, and he'll pick up a few hundred pounds of oil on his way home. That saves me about \$75 in shipping."

Caution: Pick up supplies yourself only when it truly saves you money. If it's taking you away from a revenue-producing activity, you're not really saving.

4. Buy wholesale and ask for commercial discounts. Join warehouse buying clubs and never pay retail price to any supplier without first asking for the wholesale rate.

5. Negotiate discounts for long-term buying commitments. If you regularly use a particular item but can't buy in bulk because you lack storage space, ask your supplier for a bulk rate as long as you commit to purchasing a certain quantity over a specified period of time.

6. Buy at trade shows. Many exhibitors offer show discounts or will discount their booth samples to avoid having to ship them back to their warehouse. "Sometimes I can buy samples for a discount at a wholesale show and take them with me, which saves on both the product and the freight," Steinman says. Attend the shows in a vehicle large enough to transport whatever you might purchase.

7. Barter and trade. Find businesses that offer products and services you use and offer to trade. Be sure you're very specific on the details and agree on the respective value of what you're trading. The value of bartered goods and services may be taxable; check with your accountant. As an option, consider joining a barter exchange, which is an organization that facilitates bartering among its members. A list of exchanges can be found on the [International Reciprocal Trade Association Web site](#).

8. Shop for insurance annually. Don't just automatically renew your business, health, automobile or other insurance. Ask your agent to review your coverage, do a risk assessment and make suggestions on how you might be able to save money. Insurance companies are always introducing new products, especially for the homebased business market, and what was the best deal for you last year may be topped by something else this year.

9. Ask for a better price. When you're shopping for any type of goods or services, always ask for a better price. The worst that can happen is the supplier will say no--but they might say yes.

10. Don't pay bills until you have to. Protect your credit rating by paying on time, but never pay early (unless you're getting a discount for doing so). Let that money sit in your account earning interest as long as possible.

11. Pay bills online. At the very least, you'll save time and postage. In addition, many companies offer discounts to customers who pay online.

12. Ask your suppliers for cash and early-payment discounts. Make payment terms a part of your price negotiation; many suppliers routinely offer discounts for cash or fast payment.

13. Buy and use energy-efficient products. Look for the [Energy Star](#) label; it was created by the U.S. Environmental Protection Agency and the U.S. Department of Energy to help reduce

unnecessary energy use and air pollution by labeling energy-efficient, cost-saving products for homes and offices.

14. Request an energy audit and off-peak usage discount from your utility company. The energy audit is free, and they'll give you plenty of tips to conserve energy and reduce your power bill. For the discount, get a printout of your energy consumption. "Ask for a discount when your peak usage coincides with their low-point usage," Lyn Richards says. "Many power companies will give a 2½-cent-per-kilowatt-hour discount when you do this."

15. Review your telecommunications rates twice a year. Telephone companies (local, long distance and cellular) are always introducing new rate plans, so make sure you're getting the best one for your particular usage. Ask your current company to review your account and let you know if you're getting their best deal. Then contact two or three other companies and ask them for a bid based on your calling patterns.

16. Operate your vehicle efficiently. Combine trips and avoid unnecessary travel. Maintain your vehicle for maximum gas mileage, which means doing things like keeping tires properly inflated, removing unnecessary weight, keeping filters clean, and getting periodic engine tune-ups.

17. Save money by avoiding losses. Protect your electronics from power surges and sags, and backup your computer system regularly. Replacing computer equipment and recovering data takes time and money, notes Tully Smith Callaway, owner of Hospitality Host, a website developer and Internet host in Winter Park, Florida. He recommends avoiding the expense and downtime by investing in a quality surge protector and an uninterruptible power supply. You should also backup your data regularly and store those files in an off-site location.

18. Install antivirus software and keep it updated. Every computer is at risk of viruses these days, Callaway says; practicing "safe computing" can save you the cost of recovering lost data and the related downtime-not to mention the damage to your customer relations if you inadvertently pass along a virus to your customers.

19. Charge back expenses to clients. Professional service providers do this all the time; it can work for just about any business. When you incur expenses that aren't a regular part of providing your product or service, figure the additional costs into your customers' bills. It's a great way to recoup costs without increasing prices.

20. Form marketing alliances. Get together with other small businesses that target the same market, and combine your marketing efforts. For example, Steinman's been invited to team with a natural body-care company to exhibit at a large national trade show this fall. "Instead of spending \$2,500 for a booth showing just their line, they've selected a few complementary companies to share the booth," she says. "For \$400, I'll get exposure in a show I [couldn't otherwise] afford, and they'll offset their costs." You can also team up with other small businesses on advertising and promotional efforts; all it takes is a little creativity and cooperation. As with buying groups, however, make sure you put everything in writing.

21. Promote yourself. Use sound public relations and promotion techniques to gain exposure in your community and in the media that target your prospective customers. This approach is generally more effective and much less expensive than advertising. And always capitalize on one of the cheapest and most effective marketing methods of all: word-of-mouth.

22. Don't overlook any tax deductions. In addition to being able to deduct a portion of your rent or mortgage interest and utilities as a business expense, you can also deduct a percentage of various home maintenance expenses, along with a portion of the cost of services such as house cleaning and lawn care. Check out the Internal Revenue Service's [website](#), or check with a knowledgeable tax advisor for more information.

23. Take advantage of professional association services. Richards points out that many associations offer a wide range of benefits to members, such as group insurance and supplier discounts. Ask organizations for a list of member benefits, and be sure to watch for new benefit announcements.

24. Insist on prompt payment. Don't let your clients cost you money by keeping what they owe you in their bank accounts. Set and enforce your credit terms, and take prompt collection action when appropriate.

25. Remember that time is money. When you can save time, you're saving money. Use effective time management techniques, time-saving devices and outsourcing to make the best use of your time.

This article first appeared on Entrepreneur.com in 2000.

As a freelance writer specializing in business, marketing and entrepreneurship, Jacquelyn Lynn has been pinching pennies in her homebased office for 14 years.